

DAVID SMITH, SENIOR V.P., STAMFORD HOSPITAL

TESTIMONY SUBMITTED BY
STAMFORD HOSPITAL
TO THE
COMMITTEE ON FINANCE, REVENUE & BONDING
IN SUPPORT OF HB 368, AN ACT PHASING OUT THE HOSPITAL TAX

Stamford Hospital appreciates this opportunity to support SB 368, which phases out the Hospital "provider" tax on Connecticut hospitals over a five-year period starting in FY2015. Stamford Hospital understands fully the difficult economic environment we are still experiencing, which not only impacts our Hospital but local businesses as well as the members of the community we serve. Planning a phase-out of the tax is a reasonable approach given the many changes at the federal and state level that have occurred as a result of the Affordable Care Act ("ACA") since the tax was instituted.

Stamford Hospital's provider tax is \$17.3 million per year; In FY 2012 the increase in the Disproportionate Share Reimbursement (DSH) matching funds provided by the Federal government almost fully offset the tax, with the expectation that as DSH payments were reduced as part of the ACA, the tax would also be reduced.

However, in 2013, the combination of the provider tax of \$17.3 million and a fifty percent (50%) reduction in DSH reimbursement resulted in an \$8 million negative impact for Stamford Hospital. The State changed its mind and made the decision to leave the tax in place (to fill budget holes) while DSH funds decreased.

In FY 2014, the hardship created by the hospital tax is even greater due to the elimination of DSH payments, resulting in a projected \$15 million loss. In FY 15, the impact is projected to be a negative \$19 million. As a percent of our FY2012 operating income (the last year the tax was fully offset by increased DSH payments), the net impact of the tax and reduced DSH payments represents an effective tax rate of approximately 75%, far above the tax rate assessed on "for profit" companies.

While we will continue to have ongoing dialogue with state policy makers and health care regulators to review the impact of the hospital tax and other changes in reimbursements, we believe a planned phase-out of the hospital tax should be supported.